

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Thursday, October 25, 2007
10:30 a.m., MST**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. David Byers, Chair, called the meeting to order at 10:30 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
 Mr. Steven Zeman, Vice-Chair
 Dr. Keith Meredith (via Teleconference)
 Mr. Michael Townsend (via Teleconference)

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the July 26, 2007 OC Meeting

Motion: Mr. Steven Zeman moved the minutes of the July 26, 2007, OC meeting be adopted as presented. Mr. Michael Townsend seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding the Deputy Director's Quarterly Information Technology (IT) Plan Report

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Mr. Bob Solheim, the ASRS Independent Advisory Consultant (IAC), who updated the Committee on the status of various projects within the IT Plan from an enterprise-wide perspective.

Mr. Solheim presented a chart to the Committee regarding an assessment of the enterprise IT plan's progress. The chart was divided into the various key performance indicators of the plan. Each indicator was rated green (satisfactory progress), yellow (at risk), or red (unsatisfactory). All items were rated green, except for the item regarding staffing levels, which have been problematic due to resignations, particularly of consultants. Mr. Solheim also told the Committee that the member statements for the year had been sent out in September.

Mr. Kent Smith, Assistant Director, Information Services Division, gave an update on the current status of the various information technology items that were either completed or are currently in development. These areas included contribution posting, online contribution reporting, pension payroll, survivor benefit calculation, and various web services. Mr. Smith also informed the Committee that the request by the Committee to show original estimates, actual dollars spent and

resulting coverage or underage of dollars for completed projects would be delayed due to complications in tracking methods that was used prior to mid-2005. He said he hoped to have that information for the Committee at the next OC meeting.

4. Presentation, Discussion and Appropriate Action Regarding the ASRS OC Charter

Mr. Anthony Guarino addressed the Committee regarding the OC Charter and the possibility of making revisions to it. He stated the charter has not been updated since it was crafted as part of the ASRS Governance Handbook in January 2004. Mr. Guarino gave members of the Committee copies of the current charter along with an alternative version.

Members of the Committee gave suggestions as to how to improve the charter. Mr. Guarino said he would incorporate the suggestions into a new draft of the alternative version of the charter and revisit the issue at the next OC meeting in December.

5. Review of Recently Conducted Audits

- **Laveen Elementary School District**
- **City of Goodyear**
- **Arizona State Compensation Fund**
- **Arizona Health Care Cost Containment System (AHCCCS)**
- **Northland Pioneer College**
- **Audit Follow-Up for 2007**

Mr. Anthony Guarino introduced Mr. Bernard Glick, the ASRS Chief Auditor, who updated the Committee on six recently conducted audits, including a follow-up audit for compliance at the ASRS.

The first audit dealt with the Laveen Elementary School District. Mr. Glick stated the school district owed the ASRS \$7,533.49 due to a combination of contributions not being withheld from employees who met the 20/20 membership criteria or who worked for other ASRS eligible employers and were required to make contributions.

The second audit was of the City of Goodyear. Mr. Glick stated the City owed the ASRS \$32,822.35 in contributions and interest due to the fact the City did not collect contributions from eligible part-time employees, contributions from eligible employees who were paid uniform allowances, and contributions that were not collected from longevity pay and service rewards and recognition pay.

The next audit concerned the Arizona State Compensation Fund. Mr. Glick stated this was a relatively clean audit with the exception of an intern that worked for two months but had contributions taken out of his pay. The ASRS will refund the intern \$365.67.

The Arizona Health Care Cost Containment System (AHCCCS) was also audited with a result of that agency owing \$5,080.00 to the ASRS due to contributions not being withheld from employees who met the 20/20 membership criteria.

The final audit dealt with Northland Pioneer College. Northland owed the ASRS \$44,504.00 in contributions and interest. This was based on contributions not being withheld from employees who met the 20/20 membership criteria or who worked for other ASRS eligible employers and were required to make contributions.

Mr. Glick then reported on a follow-up audit of the ASRS that was recently conducted. He stated his audit team had conducted follow-up audits of the ASRS Member Services Advisory Center (MSAC), ASRS Training, Phoenix Union High School District (PUHSD), and the Arizona Exposition and State Fair.

6. Presentation, Discussion and Appropriate Action Regarding the Monthly Internal Audit Reports

Mr. Glick presented a spreadsheet containing the current state of internal audits for the three months that ended in September 2007. The spreadsheet listed the current audits, the hours budgeted and estimates as to how many hours had been consumed to perform the audits. Mr. Glick indicated he would be updating the spreadsheet for each OC meeting for presentation to the Committee members. The ASRS fully complied with the MSAC and the Training audit findings. Compliance did not occur with PUHSD and the State Fair audits. Appropriate procedures regarding non compliant employers will be followed by the agency.

7. Request for Future Agenda Items

Mr. Guarino presented the Committee with a list of mandatory and discretionary topics the OC should consider addressing in upcoming committee meetings. The list included topics such as the Internal Audit Plan, the IT Plan, budget requests, performance reports, reports on Plan Design issues, and reviews of Governance policies and practices. Mr. Guarino and Mr. David Byers, OC Chair, asked that each member of the Committee indicate which topics they would like to see addressed by the OC in 2008, and to forward those selections to him by the beginning of December.

8. Call to the Public

No members of the public addressed the Committee.

9. Adjournment of the OC

Mr. David Byers adjourned the meeting at 11:28 a.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date